Sub-Issue I.1A ***Mandatory End Office POIs*** Can Verizon force AT&T to establish a Point of Interconnection at a particular end office, when AT&T traffic to that end office reaches a certain threshold traffic level?

Q. PLEASE DESCRIBE SUB-ISSUE I.1A.

A. The DPL sets forth the issue as follows: "Can Verizon force AT&T to establish a Point of Interconnection at a particular end office, when AT&T traffic to that end office reaches a certain threshold?" Verizon's position on this issue is that AT&T should establish a POI at a Verizon end office when the traffic to that end office exceeds a CCS busy hour equivalent of one DS1 for a single month.

AT&T objects to Verizon's position because it is contrary to AT&T's' right to select the locations at which it interconnects with Verizon's network. This right is described in detail in my discussion of Issue I.1. AT&T should not be required to establish a point of interconnection for its traffic at a Verizon end office when the traffic to that end office reaches an arbitrary threshold established by Verizon.

Q. ARE YOU SUGGESTING THAT AT&T CAN INTERCONNECT WHEREVER IT WANTS?

A. No. There are limits on AT&T's (and other CLECs') ability to request interconnection in some instances, but the burden is on the incumbent, rather than the CLEC, to prove that such limits should be imposed. As I indicated earlier in my testimony, the applicable standard for points of interconnection is the technical feasibility standard. However, this standard sets the bar very high. The FCC has stated that in order for an incumbent LEC to justify refusal to provide interconnection or access at a point requested by another carrier, it ". . . must prove to the state commission, with clear and convincing evidence, that specific

and significant adverse impacts would result from the requested interconnection or access[44]."

Q. HAS VERIZON PROVIDED ANY EVIDENCE THAT SIGNIFICANT ADVERSE IMPACTS WILL OCCUR TO ITS NETWORK UNLESS IT IMPOSES THE PROPOSED TRAFFIC RESTRICTION ON AT&T FOR ALL OF ITS TANDEMS?

A. I haven't seen any. However, it is clear that Verizon's proposal requiring AT&T to forfeit its right to interconnect at any technically feasible point on Verizon's network if the traffic volume "exceeds the CCS busy hour equivalent of one (1) DS-1 *at any time* and/or 200,000 combined minutes of use *for a single month*," is an extreme solution for a single spike in traffic volume. Certainly a spike in traffic volume that later falls under the DS-1 threshold cannot does not rise to standard set by the Commission of a "significant adverse impact" to Verizon's network.

Q. BUT WHAT IF THE TRAFFIC THRESHOLD LEVELS WERE SUSTAINED OVER A PERIOD OF TIME?

A. Even if the traffic volume remained above Verizon's arbitrarily established threshold for some time, there still would be no harm to Verizon's network, let alone a "specific and significant adverse impact." Indeed, if a sustained increase in traffic requires that certain trunk group should be augmented, the agreement provides for the procedures to be followed by the parties to eliminate excessive call blocking.

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[44] *Local Competition Order*, ¶ 203.

Q. WHAT ABOUT TANDEM EXHAUST ISSUES?

A. Verizon claims its proposal is designed to address tandem exhaustion. However, in my opinion such a claim is simply an attempt to lend some legitimacy to a proposal that is designed to harm CLECs. Tandem exhaustion may be avoided by proper forecasting and deployment of additional tandem switching capacity. Even if Verizon must bear the cost to deploy additional tandem capacity to its network to accommodate interconnection at its tandem switches, that increased cost does not meet the "significant adverse impact" standard established by the Commission. In fact, the Commission has acknowledged that ILEC interconnection obligations may require ILEC's to modify their network to accommodate interconnection. The Commission addressed this matter in its *Local Competition Order*, ¶ 202.

> Thus, it is reasonable to interpret Congress's use of the term "feasible" in sections 251(c)(2) and 251(c)(3) as encompassing more than what is merely "practical" or similar to what is ordinarily done. That is, use of the term "feasible" implies that interconnecting or providing access to a LEC network element may be feasible at a particular point even if such interconnection or access requires a novel use of, or some modification to, incumbent LEC equipment. This interpretation is consistent with the fact that incumbent LEC networks were not designed to accommodate third-party interconnection or use of network elements at all or even most points within the network. *If incumbent LECs were not required, at least to some extent, to adapt their facilities to interconnection or use by other carriers, the purposes of sections 251(c)(2) and 251(c)(3) would often be frustrated.* For example, Congress intended to obligate the incumbent to accommodate the new entrant's network architecture by requiring the incumbent to provide interconnection "for the facilities and equipment" of the new entrant. Consistent with that intent, the incumbent must accept the novel use of, and modification to, its network facilities to accommodate the interconnector

or to provide access to unbundled elements. [emphasis added]

Q. BUT SHOULDN'T VERIZON BE COMPENSATED FOR THE COSTS OF ANY ADDITIONAL TANDEMS?

A. Yes, and Verizon is compensated, because Verizon's rates for tandem interconnection are designed to fully compensate Verizon for its forward-looking costs to deploy additional capacity.

Q. HOW DOES THE TRAFFIC THRESHOLD APPLY GIVEN THAT THE PARTIES ARE USING ONE WAY TRUNKS?

A. Under a one-way trunking arrangement, generally each party determines for itself the most efficient means to deliver its traffic to the other party. This is clearly an advantage for both parties where a traffic imbalance exists. For example, in the situation where AT&T's traffic volume is low and Verizon's traffic volume is high, AT&T should be free to tandem route its traffic and Verizon should be free to request direct end office trunks, because that is the most efficient arrangement for each respective party. However, Verizon will not agree to give AT&T that flexibility even though Verizon is free to order direct end office trunks between its end office and the AT&T switch whenever Verizon decides, applying its own engineering practices, that such routing would be beneficial. Instead, Verizon proposes a drastic, punitive measure that is harmful to AT&T.

Q. WHAT ABOUT THE LEVEL OF THE PROPOSED TRAFFIC THRESHOLD?

A. The traffic threshold level Verizon proposes would be inefficient and harmful to AT&T and appears to set arbitrarily. Under current practices, AT&T traffic engineers evaluate various trunk routes to determine where AT&T may realize

cost savings by establishing direct end office trunking.[45] In many cases, AT&T establishes direct end office trunking without a contractual obligation to so, simply because it is efficient for AT&T to do so. Out of a total of 421 existing local interconnection trunk groups in Virginia, 226 of those groups are direct end office groups. Clearly, AT&T does not need such a punitive provision in its agreement to make reasonable engineering decisions. Verizon's proposal requires AT&T to establish inefficient interconnection, because it would frequently be inefficient to establish direct trunking after reaching a single DS-1 level of traffic. Thus, Verizon's proposal is not just contrary to current interconnection rules, but it is it is bad public policy.

Q. WHY DO YOU BELIEVE THAT THE DS-1 THRESHOLD PROPOSED BY VERIZON IS ARBITRARY?

A. In answering AT&T's Data Requests AT&T 6-25 and AT&T 6-27, Verizon essentially admitted that it had no cost basis for the DS-1 threshold, and that it also does not have a written practice on this matter for its own engineers to follow. Certainly Verizon is free to establish its own engineering practices for its traffic, but it should not be permitted to impose those standards on interconnecting carriers unless and until Verizon satisfies the network impairment standard set by the FCC. Without a cost study or even a written practice to support its position, Verizon cannot credibly claim that a CLEC's routing of traffic through a Verizon tandem is harmful.

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[45] This calculation is based on an "economic CCS threshold" that compares the cost of direct trunking against the avoided costs of tandem switching and common transport. This analysis considers such factors as offered load, distance, and leased facility rates.

Q. ARE THERE ANY OTHER PROBLEMS WIITH THE VERIZON PROPOSAL?

A. Yes. Verizon's proposal would also unfairly discriminate against CLECs, unless IXCs, and independent phone companies ("ITCs") and Verizon itself are all held to the same standard. In its answer to AT&T's Data Request AT&T 6-23(a), Verizon admits that its exchange access tariff places no limitation on the volume of traffic which an exchange access customer may route through a Verizon tandem. One can only speculate as to why Verizon has not directed its concern regarding tandem exhaust to other types of traffic, but one could assume that Verizon would have less of an incentive to remove IXC traffic from its tandem since that traffic provides it with exchange access tandem switching revenue.

Issue III.1 ***Tandem Transit Service*** Does Verizon have an obligation to provide transit service to AT&T for the exchange of local traffic with other carriers, regardless of the level of traffic exchanged between AT&T and the other carriers?

Q. PLEASE DESCRIBE ISSUE III.1.

A. Issue III.1 is set forth in the DPL as follows: "Does Verizon have an obligation to provide transit service to AT&T for the exchange of local traffic with other carriers, regardless of the level of traffic exchanged between AT&T and the other carriers?" The transit service addressed in this issue is the tandem switching and common transport provided by Verizon for the exchange of local and intraLATA toll traffic between AT&T and LECs other than Verizon, such as other CLECs and ITCs. Verizon claims that is not required to carry transit traffic. Therefore, if AT&T does not implement direct trunking with certain carriers after a particular traffic threshold is met, Verizon proposes to terminate the provision of tandem services between AT&T and that carrier.

Q. WHAT IS AT&T'S POSITION ON THIS ISSUE?

A. AT&T's position is that Verizon has a legal obligation to provide transit service to AT&T for the exchange of local traffic with other carriers, regardless of the level of traffic exchanged between AT&T and the other carriers. As AT&T stated in its Petition, Verizon is required, pursuant to §251(c)(2)(A) of the Act, to interconnect with carriers for transit and routing of telephone exchange service and exchange access. The statute does not limit this duty to only traffic between AT&T and Verizon. Moreover, the imposition of a capacity restriction also violates Verizon's obligation to interconnect under the Act because it eviscerates

AT&T's right, pursuant to §251(a)(1) of the Act, to interconnect indirectly with the facilities and equipment of other carriers.[46] Finally, the imposition of a capacity restriction also violates Verizon's § 251(c)(2)(B) obligations to provide interconnection at any technically feasible point.[47]

Q. ISN'T THIS ISSUE SIMILAR TO ISSUE I.1A THAT YOU JUST DISCUSSED?

A. This issue is similar in that, once again, Verizon is essentially requiring AT&T to establish direct trunking arrangements that would be highly inefficient and harmful to AT&T, in violation of Verizon's obligation to provide interconnection at any technically feasible point. Specifically, Verizon proposes to terminate the provision of Tandem Transit Service between AT&T and a third party carrier within 60 days after AT&T and that carrier have reached a traffic threshold of (1) DS1 volume of traffic for any three months in any consecutive six month period, or for any consecutive three months.[48] As I indicated earlier in my testimony, AT&T's traffic engineers evaluate various trunk routes using an economic CCS threshold in order to determine when and where AT&T can realize cost savings by establishing direct trunking. Verizon's proposed fixed threshold prevents

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[46] Indirect interconnection was described by the FCC in the *Local Competition Order* as interconnection to other carriers via the incumbent's network; which is precisely what transit service provides.

[47] The legal support for AT&T's position is discussed in more detail at pages 30-32 of AT&T's Petition.

[48] Verizon's proposed language states that it will not immediately terminate the service if AT&T has exercised best efforts to enter into a traffic arrangement with the subject carrier but was unable to do so through no fault of its own; and if AT&T files a petition with the state commission to arbitrate the agreement. Under these circumstances Verizon will continue to provide the service – albeit at a non-TELRIC based rate (see discussion

AT&T from making those decisions, and instead requires it to direct trunk regardless of the economics of the situation.

Once again, Verizon suggests this requirement is supported by its need to address tandem exhaust issues.[49] However, as I stated previously, in order for an incumbent LEC to justify refusal to provide interconnection or access at a point requested by another carrier, it ". . . must prove to the state commission, with clear and convincing evidence, that specific and significant adverse impacts would result from the requested interconnection or access[50]." Verizon has not provided any type of specific information that would demonstrate significant adverse impacts. Moreover, since the traffic thresholds are applied uniformly without regard to the actual level of congestion at a particular tandem, the proposal is on its face unreasonable.

As I testified earlier, Verizon can avoid tandem exhaustion through proper forecasting and deployment of additional tandem switching capacity. Even if Verizon must bear the cost to deploy additional tandem capacity to its network to accommodate indirect interconnection at its tandem switches, that does not meet the "significant adverse impact" established by the Commission. Verizon's rates for tandem interconnection fully compensate Verizon for its forward-looking costs to deploy additional capacity.

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of the rate issues in the following section of my testimony regarding Issue III.2) until a commission ruling on a traffic exchange agreement has been issued.

49 Verizon Response at 20.

50 *Local Competition Order* ¶ 203.

Q. ARE THERE ALSO DISCRIMINATION CONCERNS ASSOCIATED WITH VERIZON'S POSITION?

A. Yes. As with Verizon's position on issue I.1A, Verizon's proposal on transit traffic targets CLECs local traffic, but Verizon does not impose similar restrictions on IXC traffic that is routed through Verizon's tandems, presumably because Verizon collects higher-priced access charges for this traffic. Compared to the volume of traffic which IXCs pass through Verizon's access tandems, the volume of CLEC transit traffic is de minimus. Yet the effect of a direct interconnection requirement on CLECs would be significant. Thus, it seems apparent that Verizon's true intentions are to impose inefficient and expensive interconnection requirements on its major competitors rather than to address concerns relating to tandem exhaustion.

Q. WHAT ABOUT STATE DECISIONS ON THIS ISSUE?

A. The California, Michigan and Ohio Commissions all found that ILECs have an obligation to provide transit services to CLECs without limitation.[51]

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[51] *Application of AT&T Communications of California, Inc. (U 5002 C), et al., for Arbitration of an Interconnection Agreement with Pacific Bell Telephone Company Pursuant to Section 252(b) of the Telecommunications Act of 1996*, Dkt. No. 00-01-022, at 472, 473 (CA PUC Aug. 3, 2000); Decision of Arbitration Panel, *AT&T Communication's of Michigan Inc., and TCG Detroit's Petition for Arbitration*, Case No. U-12465 at 20 (Oct. 18, 2000)(The Michigan Public Service Commission affirmed this portion of the Arbitration Panel by Order dated November 20, 2000 at 8); Arbitration Panel Report, *AT&T Communications, Inc., Petition for Arbitration of Interconnection Rates, Terms, and Conditions and Related Arrangements with Ameritech Ohio Pursuant to Section 252(b) of the Telecommunications Act of 1996*, Case No. 00-1188-TP-ARB at 84-85 (March 19, 2001).

Q. WHAT WOULD BE THE RESULT IN VIRGINIA IF VERIZON'S PROPOSAL WERE ADOPTED?

A. It is common among the industry today for parties that are indirectly interconnected to exchange transit traffic on a bill and keep basis without executing an interconnection agreement (ICA). This practice of indirect interconnection is efficient from both a traffic routing perspective, and from an administrative perspective. The type of direct interconnection Verizon would require, however, introduces a variety of additional considerations, such as: one-way versus two-way trunking, billing and recording, signaling, and allocation of interconnection expenses between the parties. All of these issues, of course, will have to be negotiated between the parties – not an insignificant task. The obvious outcome of this requirement will be an increase in ICA arbitrations between CLECs and ITCs that will place an additional burden on the parties themselves and on the already overworked state commissions. For the agreements between non ITC-CLECs – arbitration is not an option because it is not provided for in the Act. In those instances, the alternative to arbitration is to either concede to objectionable interconnection terms, resulting in an unprofitable business plan, or simply exit the business in the affected rate centers since Verizon refuses to provide tandem service after a certain time period.[52]

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[52] Although as I mentioned earlier, Verizon proposes, even though it is not provided for in the Act, that state commissions arbitrate all types of agreements; even CLEC to CLEC agreements; in order to ensure that the transit traffic is removed from its tandems.

Currently, 181 CLECs are authorized to operate in Virginia[53]. Assume that 60 CLECs operate in the Norfolk LATA, 60 in the Richmond LATA and 61 in the Washington LATA. The number of trunk groups required to interconnect all of these carriers would be (60x60)+(60x60)+(61x61), or 10,921 trunk groups. There would be an enormous expense and effort required to achieve this task, and for no good reason, because in the end the resulting interconnection arrangement would be highly inefficient. Thus, Verizon's proposal requiring CLECs to establish direct interconnection is not just contrary to law, but it is bad public policy.

Q. WOULD AT&T EVER AGREE TO DIRECT CONNECT WITH OTHER CLECS?

A. Yes. AT&T recognizes that if it exchanges substantial volumes of transit traffic with another carrier, it would be more efficient for it to connect directly. For these reasons, AT&T would agree to enter into good faith negotiations for direct interconnection with other LECs for which AT&T exchanges substantial volumes of traffic. However, if AT&T cannot negotiate acceptable terms for the direct connection with that LEC, it should not be required to engage in direct connection with that carrier.

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[53] The Virginia State Corporation Commission has granted two hundred and two certificates to CLECs, twenty-one of which have been cancelled. Source: Virginia State Corporation Commission's CLEC Certificate Application Status Report, Revised July 3, 2001.

Q. COULDN'T THERE BE NEGATIVE INDUSTRY IMPLICATIONS IF THE COMMISSION DOES NOT IMPOSE A DIRECT CONNECTION REQUIREMENT AT SOME TRAFFIC THRESHOLD?

A. As I stated before, in the context of my discussion on Issue I.1A, I don't believe that to be the case. However, if the Commission is concerned that ILECs in general are experiencing an amount of tandem exhaust that could negatively effect the development of an efficient network, it would be appropriate for the Commission to examine the issue in a generic rulemaking proceeding, where it can solicit a broad range of industry input to identify the extent of the problem and, if a problem in fact exists, it can craft a solution that is tailored to the problem's true parameters, and that will apply to all industry sectors, as appropriate. The Commission cannot and should not try to address such an industry wide issue in the context of an individual arbitration. Instead, it should affirm Verizon's existing obligation to provide indirect interconnection until the Commission has an opportunity to determine whether a limit on this obligation is actually in the public interest.

Issue III.2 Should transit services be priced at TELRIC, regardless of the level of traffic exchanged between AT&T and other carriers?

Q. PLEASE DESCRIBE TANDEM ISSUE III.2.

A. Transit Service provides transport of traffic between CLECs, ITCs or wireless providers that are not directly interconnected with one another – via the ILEC tandem. Since Transit Service is nothing more than the provision of indirect interconnection by the ILEC,[54] and since the ILEC has an obligation to provide interconnection at TELRIC-based costs pursuant to §252(d) of the Act, Verizon has the obligation to provide Transit Service to AT&T at TELRIC-based costs. This pricing standard should apply regardless of the level of traffic or the time frames over which the ILEC carries the traffic during the term of the Interconnection Agreement. This is true because any incremental pricing methodology should already cover both the costs of carrying the traffic, as well as the costs of any new tandems that might be necessary in the future.

Q. WHAT IS VERIZON'S PRICING PROPOSAL FOR TRANSIT SERVICE?

A. Verizon refuses to price its Transit Service at TELRIC-based rates. Rather, Verizon proposes three different charges related to Transit Service; and only one of the three proposed Transit Service charges, by Verizon's own admission, are TELRIC-based.[55] The Transit Service Charge is the TELRIC-based tandem

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[54] The FCC in its *Local Competition Order* at § 997 stated that CLECs have the right pursuant to §251(a)(1), to determine, based on their own economic and technical considerations, whether to connect directly or indirectly with other carriers. Indirect interconnection was described to be interconnection via an incumbent LEC's network.

[55] Verizon Response at 26.

switching charge.[56] This TELRIC based switching charge fully compensates Verizon for the costs associated with the tandem switching and transport incurred by Verizon to deliver the AT&T call to the third party carrier. This rate also includes compensation to allow Verizon to make network additions, should such additions become necessary.

The only remaining legitimate costs associated with Transit Service are any costs that Verizon is asked to pay by the third party terminating carrier. With respect to these costs, AT&T has agreed to reimburse Verizon for any such charges imposed by the third party carrier associated with termination of an AT&T call. Thus, through payment of the Transit Service Charge and AT&T's agreement to pay any third party terminating carrier charges, Verizon's total costs associated with providing Transit Service are recovered.

Verizon, however, does not limit its charges to the Transit Service Charge. Rather, Verizon proposes to include two additional charges for this service - a Transit Service Trunking Charge and a Transit Service Billing Fee.

Q. WHAT IS THE TRANSIT SERVICE BILLING FEE?

A. The Transit Service Billing Fee is to be applied if the tandem is used to route the transit traffic beyond an initial 180 days from the effective date of the Agreement, or if a DS-1 threshold is exceeded for three consecutive months, or any three months during the first six months of the Agreement. Verizon has stated that this

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[56] *Id.*

fee is designed to ensure that Verizon "does not suffer" because of the CLEC's failure to interconnect with other carriers.[57]

Q. WHAT IS THE TRANSIT SERVICE TRUNKING CHARGE?

A. The Transit Service Trunking Charge which Verizon states is equivalent to a tandem port charge, is levied for 60 days after the above referenced 180 days, or if traffic levels have exceeded the DS-1 threshold for three consecutive months or any three months during the initial 180 day period. Verizon states that this port charge is assessed to account for the additional capacity to accommodate such traffic beyond the DS-1 threshold.

Q. ARE THESE ADDITIONAL CHARGES REASONABLE?

A. No. Both of these additional charges, Verizon states, are intended to make Verizon "whole" for its provision of Tandem Transit Service and also to give CLECs an incentive to enter into their own direct interconnection agreements with other carriers.[58] However, the pricing standards established by the FCC for interconnection are not to be based on some amorphous concept designed to make the ILEC "whole," nor are they to be developed as a type of penalty to give CLECs an incentive to get their interconnection traffic off the ILEC's network. The pricing should be TELRIC-based; and as explained above, the single Transit Service Charge covers all the costs incurred by Verizon to carry the transit traffic

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[57] In re: Applications of AT&T Communications of Virginia, Inc., TCG Virginia, Inc. ACC National Telecom Corp., MediaOne Of Virginia, MediaOne Telecommunications OF Virginia, Inc. Case No. 000282, Responses of Verizon-Virginia, Inc. To The Issues List Filed By AT&T Communications of Virginia, Inc., et al. (November 14, 2000) at 15.

[58] Verizon Answer at 26.

to the third party carrier. It is clear then that the additional charges proposed are over and above the amount the Company is allowed to charge pursuant to §252 (d) of the Act.

Not only do these two transit charges lack any reasonable cost support, but the application of these charges also appear to be based upon arbitrary time and capacity thresholds. For example, Verizon states that the DS-1 threshold is proposed to "reasonably limit congestion" at the Verizon tandems.[59] However, given the fact that the charges to which this threshold is applicable apply across the board regardless of the level of congestion at a particular tandem, this assertion lacks any legitimacy. The time frame thresholds, as well, are entirely arbitrary. Both the Transit Service Billing Fee and the Transit Service Trunking Charge could be applied after 180 days - even if there was only one Transit Service Call a day carried over Verizon tandems. Such a proposal is clearly unreasonable, anticompetitive, and has no relation to either Verizon's costs or to its alleged concerns with tandem congestion, and thus should be rejected.

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[59] Verizon Response at 25.

Issue I.3 Should AT&T have a reciprocal duty to provide transit services to Verizon?

Q. PLEASE DESCRIBE ISSUE I.3.

A. The DPL describes the issue as follows: "Should AT&T have a reciprocal duty to provide transit services to Verizon?" Verizon is proposing that AT&T must provide it with transit services to other third party carriers.

Q. WHAT IS AT&T'S POSITION ON THIS ISSUE?

A. As I testified to previously, the right to choose between direct or indirect interconnection is a right granted only to non-incumbents pursuant to §251 (a)(1) of the Act. The ILEC's interconnection obligations, set forth under §251 (c)(2)(B) of the Act, do not include the right to choose between direct or indirect interconnection. Thus, Verizon's position is not supported by the law.

The differing interconnection obligations set forth in the Act were established in recognition of the ILEC's market power and the ubiquity of their networks. AT&T does not have interconnection agreements or the physical network interconnections place with other carriers. Thus, in addition to not being supported by the law, Verizon's proposal is not even feasible given the realities of the marketplace.

Q. IS AT&T REFUSING TO PROVIDE VERIZON WITH TRANSIT SERVICE UNDER ANY CIRCUMSTANCES?

A. No. However, AT&T would agree to enter into good faith negotiations to provide transit service to Verizon, at Verizon's request, if AT&T has or could develop the

necessary network and interconnection arrangements. This proposal is more than what is required by law and is adequate and reasonable.

Issue V.I ***Competitive Tandem Service*** Should Verizon be permitted to place restrictions on UNEs so as to preclude AT&T from providing competitive tandem services?

Q. PLEASE DESCRIBE ISSUE V.I.

A. Issue V.I is set forth in the DPL as follows: "Should Verizon be permitted to place restrictions on UNEs so as to preclude AT&T from providing competitive tandem service?" Competitive tandem service is the provision of competitive switched exchange access service to IXC customers.

The IXC is AT&T's customer and AT&T carries the IXC's traffic between the AT&T switch and multiple Verizon end offices. AT&T should be permitted to purchase, at a minimum, Verizon's end office switching UNE to provide this service.

Q. WHAT IS VERIZON'S POSITION ON THIS ISSUE?

A. Verizon maintains that this issue should not be addressed in this proceeding because the interconnection agreement should only address interconnection and exchange of local traffic. If the Commission decides to consider it, however, Verizon states that the commission should reject AT&T's proposal because it will "unjustifiably siphon off Verizon's approved access revenues".[60] Finally, Verizon claims that AT&T's proposal raises technical problems that will require Verizon to undertake technically impossible tasks. Verizon's solution is to require AT&T to purchase transport and switching from its Exchange Access tariffs.

Q. IS IT APPROPRIATE TO INCLUDE THIS ISSUE IN AN INTERCONNECTION AGREEMENT?

A. Yes. As stated in AT&T's Petition, AT&T has the right, pursuant to §251 (c)(2) of the Act to obtain interconnection to provide local exchange and exchange access service. Exchange access service is the offering of access to telephone exchange service or facilities for the purposes of origination or termination of telephone toll services. The FCC has specifically confirmed that "providers of competitive access services are eligible to receive interconnection pursuant to §251(c)(2)."[61] Since the service involved in this issue is the provision by AT&T of exchange access service - it clearly falls within those issues to be included in an interconnection agreement.

Verizon tries to support its position by pointing out that access traffic is excluded from 47 U.S.C. §251(b)(5), the section relating to reciprocal compensation.[62] What it fails to recognize, or acknowledge, is that AT&T's proposal is not to address any type of terms related to *its* access traffic; it is to address terms relating to the provision of exchange access service; an entirely different issue and one, as noted above, that is specifically included as part of the interconnection obligations of the ILEC in §251 of the Act.

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60 Verizon Response at 51.

61 *Local Competition Order* at 186; Also see, AT&T's Petition at 86-89 for further discussion of this issue.

62 Verizon Response at 51.

Q. IS THERE A DEMAND FOR THIS TYPE OF SERVICE?

A. Yes. There are a number of small IXCs that, alone, do not have a sufficient volume of interexchange traffic to justify the costs to establish direct trunks to Verizon end offices. Because these carriers then must pay for tandem switching and common transport, they find themselves at a competitive disadvantage with the larger IXCs that have established direct end office trunks. Large IXCs, such as AT&T, incur tandem costs for a much smaller portion of their traffic. Interconnecting to a CLEC, rather than an ILEC switch, allows smaller IXCs subscribing to this service to lower its tandem costs and compete more effectively. AT&T continues to receive inquiries from IXCs asking if we are able to provide this service. Thus, AT&T's service would be focused on these smaller IXC's.

Q. VERIZON COMPLAINS THAT AT&T WOULD BE PROVIDING THIS SERVICE TO ITSELF. DOES AT&T PLAN TO OFFER THIS SERVICE TO ITSELF AS AN IXC?

A. No. AT&T's IXC business has no interest in using competitive tandem service, as it currently routes in excess of 90% percent of its traffic via direct end offices trunks. Using this competitive tandem service for AT&T as an IXC would actually increase AT&T's exchange access costs for interexchange traffic.

Q. HOW WOULD AT&T OFFER THIS SERVICE?

A. AT&T would offer competitive tandem service in Virginia to each Verizon end office via a collocation site at that end office. AT&T would configure its local network switches to tandem route the IXC traffic via direct end office Feature Group D trunks ordered from Verizon between the applicable Verizon end offices

and the subscribing IXC switch. AT&T would either provide the facilities between these two switches or would lease the facilities from third parties or from Verizon. At a minimum AT&T would be purchasing from Verizon end office switching; although as noted, it may also lease facilities to Verizon's end office. In either case, it is AT&T's position that if it leases the facilities from Verizon, the rate for those facilities should be UNE rates and there should be no use restrictions imposed on the use of those facilities.

With respect to those Verizon end offices for which AT&T has no collocation arrangement, the subscribing IXC will have to route traffic that would otherwise go directly to that end office through Verizon's access tandem. This limitation on the service is necessary to enable the subscribing IXC to avoid paying two tandem switching functions (one to AT&T and one to Verizon).

Q. WHAT ABOUT THE COMPENSATION ISSUES RAISED BY VERIZON?

A. Verizon complains that AT&T's proposal to share the Switched Exchange Access revenue should be rejected because AT&T has not relieved Verizon of any cost functions. AT&T has since revised its proposal to eliminate revenue sharing, and I will address it as part of my discussion of Issue V.8 later in my testimony.

Q. WHAT ABOUT THE TECHNICAL PROBLEMS RAISED BY VERIZON?

A. The technical limitations claimed by Verizon are a fiction and will also be addressed as part of the discussion of Issue V.8 that deals more directly with the terms and conditions relating to this service. This issue, V.I, focuses on the rates to be charged by Verizon for any facilities that AT&T leases from Verizon for

this service. As I stated, it is AT&T's position that any facilities it leases from Verizon should be charged at UNE rates.

Issue III.3 ***Meet Point Interconnection*** Should the selection of a fiber meet point method of interconnection (jointly engineered and operated as a SONET ring) be at AT&T's discretion or be subject to the mutual agreement of the parties?

Q. PLEASE DESCRIBE ISSUE III.3.

A. Issue III.3 is set forth in the DPL as follows: "Should the selection of a fiber meet point method of interconnection (jointly engineered and operated as a SONET ring) be at AT&T's discretion or be subject to the mutual agreement of the parties?"

Q. PLEASE DESCRIBE MEET POINT INTERCONNECTION.

A. Meet Point interconnection is a method of interconnecting with the ILEC's network whereby the parties jointly establish a fiber optic facility system utilizing SONET protocol and each party provides fiber optic terminating equipment located in its own serving wire center. Fiber optic strands originate from the terminating equipment on each end and meet at a fiber splice point (meet point) between the serving wire centers. The POI for AT&T's traffic would be located at the terminating facilities[63] point on Verizon's network, and the POI for Verizon's traffic would be at the terminating facilities point designated by AT&T on its network. The Parties share the use of the Meet-Point facility that spans the two parties' wire centers. AT&T proposes that each Party be allocated half of the facility channels for their use without cost (Section 1.6.1). The Meet Point

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[63] Specifically, the POI would be a cross connecting device such as a DSX (electrical) or LGX (optical) cross connect panel associated with the terminating equipment.